



**VIA EMAIL**

December 23, 2009

Ms. Jennifer J. Johnson, Secretary  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, N.W.,  
Washington, DC 20551  
Docket No. R-1366

**RE: Truth in Lending, Closed-end credit secured by real property or a consumer's dwelling; Docket No. R-1366.**

Dear Ms. Johnson:

The Wisconsin Bankers Association (WBA) is the largest financial trade association in Wisconsin, representing approximately 300 state and nationally chartered banks, savings and loan associations and savings banks located in communities throughout the state. WBA particularly appreciates the opportunity to comment on the Board of Governors of the Federal Reserve System's (FRB's) proposal to revise Regulation Z, which implements the Truth in Lending Act (TILA), and the Official Staff Commentary to the regulation as it relates to closed-end credit secured by real property or a consumer's dwelling.

Among the proposed revisions, FRB has proposed changes to the format, timing and content requirements of disclosures for all closed-end credit transactions secured by real property, or a dwelling, including; (1) disclosures at application; (2) disclosures at account opening; (3) periodic statements; and (4) change-in-term notices. The proposed revisions would not be limited to credit secured by the consumer's principal dwelling.

Additionally, FRB has proposed drastic revisions to the calculation of the finance charge to now also include all charges by third parties if the creditor: (1) requires the use of a third party as a condition of or incident to the extension of credit, even if the consumer can choose the third party; or (2) retain a portion of the third-party charge, to the extent of the portion retained. This proposed calculation is referred to as an "all in" annual percentage rate (APR).

FRB has also proposed the expansion of minimum timing requirements for the delivery of advance notices under adjustable rate mortgage (ARMs) rules from 30 days to 60 days; and to require 45-day advance notice regarding creditor-placed property insurance.

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WBA recognizes all of the efforts taken by FRB in its review of these matters and strongly supports FRB's goals of ensuring effective consumer disclosures; however, WBA does not support FRB's proposed revisions. WBA implores FRB to not lose sight of the fact that financial institutions have, only recently, been implementing massive new compliance and lending requirements as required under the Mortgage Disclosure Improvement Act (MDIA), Higher-priced Mortgage Loans (HPML) rules, and HUD's Real Estate Settlement Procedures Act (RESPA) rules, all of which have imposed exhaustive compliance costs and excessive regulatory burdens upon financial institutions of all sizes, and in particular community banks.

First, WBA recommends FRB *not* adopt its proposed revisions to closed-end loan disclosures, requiring graph and tabular formats. WBA does not believe the perceived benefit of such graph and tabular formats outweighs the excessive regulatory burden and compliance costs imposed upon financial institutions to implement such changes. WBA believes that existing closed-end consumer disclosures are sufficient and are formats with which consumers are familiar.

WBA also does *not* recommend the proposed expansion of the delivery of closed-end consumer disclosures. WBA believes that the recently amended early disclosure requirements under MDIA, and recently revised RESPA are sufficient and that additional re-disclosure requirements are redundant.

Secondly, WBA adamantly *opposes* FRB's proposal to create an "all-in" APR calculation approach. WBA believes that such a change in calculation will have a severe and negative impact on lending, resulting in too many loans being brought into the current higher-cost market segments.

Finally, WBA *opposes* FRB's proposal to expand the minimum timing requirements for delivery of advance notices under ARM rules from 30 days to 60 days. FRB claims such revisions would permit consumers to shop for new ARMs to replace existing ARMs when payments increase due to APR increases under an ARM agreement. WBA believes that such shopping, in reality, does not occur at such a time in part because these loans typically have substantial closing costs associated with them.

WBA recommends FRB permit a minimum delivery period of 30 days so that financial institutions can readily deliver such notices with other correspondence to consumers without the creation of separate, costly mailings; and can more easily program change-of-term notices and periodic payment changes using existing delivery and operating systems.

WBA also *opposes* FRB's proposal to require 45-day advance notice regarding creditor-placed property insurance. It is common for loan agreements to contain provisions that the consumer warrants to maintain proper protection of the real property collateral, including covenants that he/she has and will retain proper insurance to protect the collateral. Once a financial institution is aware of the fact that property insurance has not been obtained, or maintained, as otherwise agreed to, notice is given to the consumer along with an opportunity to still purchase the appropriate property insurance coverage before the financial institution purchases such property insurance for the consumer. As a result of this common practice, WBA believes FRB's proposed requirement of a 45-day advance notice is unnecessary.

Additionally, it is possible that a financial institution may not learn of such lapse in coverage for some time, at great risk to the collateral, and financial institutions must have flexibility to satisfy a condition of default especially when such on ongoing default would pose risk to a financial institution's collateral. WBA recommends FRB *remove* this requirement from its proposal.

Again, WBA appreciates the opportunity to comment on FRB's proposal.

Sincerely,

Rose Oswald Poels  
Senior Vice President and Counsel